

VZCZCXRO0623  
OO RUEHPT  
DE RUEHBY #0489/01 1420646  
ZNR UUUUU ZZH  
O 220646Z MAY 09  
FM AMEMBASSY CANBERRA  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 1534  
INFO RUEHBJ/AMEMBASSY BEIJING 9480  
RUEHJA/AMEMBASSY JAKARTA 5448  
RUEHUL/AMEMBASSY SEOUL 9807  
RUEHKO/AMEMBASSY TOKYO 3547  
RUEHWL/AMEMBASSY WELLINGTON 5796  
RUEHBN/AMCONSUL MELBOURNE 6366  
RUEHPT/AMCONSUL PERTH 4630  
RUEHDN/AMCONSUL SYDNEY 4589  
RHEHAAA/THE WHITE HOUSE WASHINGTON DC

UNCLAS SECTION 01 OF 02 CANBERRA 000489

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E.O. 12958: N/A  
TAGS: [TSPL](#) [ESTH](#) [AS](#)  
SUBJECT: AUSTRALIA RAMPS UP INNOVATION SPENDING

REF: A. 08 CANBERRA 984  
[1](#)B. CANBERRA 456

[1](#)1. (SBU) Summary. Australia has committed A\$8.6 billion (current exchange rate is \$.78) between now and 2013 to upgrade its national innovation systems. The Rudd government released its policy response paper on May 12, alongside the federal budget, to highlight the substantial increase in funding for research and development, university research, tax incentives, and new targeted Super Science Initiatives, including climate, space and marine sciences. The innovation agenda is intended to help reverse a slide in research and development, and R&D earnings, in Australia identified last year in the Venturous Australia report issued by the Cutler Review (ref A). End Summary.

[1](#)2. (SBU) Powering Ideas: An Innovation Agenda for the 21st Century, was released by Minister for Innovation, Industry, Science and Research Kim Carr on May 12. While the release of the Rudd government's second budget stole the spotlight, the new innovation agenda represents a significant increase in funding to restore Australia's flagging innovation networks. As pointed out in the Cutler Report, Australia has slipped from fifth to eighteenth in the World Economic Forum's Global Competitiveness Index over the last eight years. Commonwealth spending on innovation and science has fallen 22 percent as a share of GDP since 1994. Australia's R&D spending has increased eight percent a year since 1996, compared to 22 percent per year in China. The nearly A\$9 billion in funding over the next four years in the 2009-2010 budget represents a 25 percent increase over the previous year, and several structural reforms intended to reverse the recent trend. The increase in funding is being billed as A\$3 billion in new funding to improve Australian competitiveness and productivity.

[1](#)3. (SBU) Key elements of the plan include:

-- A\$703 million in new funding for Australia's university system. The focus of the bulk of this funding will be to address the gap in funding for indirect research costs by more than doubling the support for research infrastructure block grants.

-- A\$802 million in new funding for universities and research institutions under Round Two of the Education Investment Fund. The major focus here is on infrastructure investment and rebuilding university research capacity.

-- A\$400 million for the Clean Energy Initiative (ref B).

-- A\$93 million in new funding for the Australian Research Council work on information and communications technology.

-- A\$50 million for a research program on a bionic eye. This project was a Rudd campaign pledge, aiming to recapture the success of Australia's research into cochlear implants.

-- A\$15 million for upgrading the Royal Institution of Australia as the instrument of formal international science exchanges.

-- A\$15 million for bushfire research. This is a necessity given the horrific wildfires that struck Victoria in February.

-- A\$225 million increase in the research and development tax concession for industry. This will also support the conversion of the tax concession into a tax credit.

-- A\$160 million for space and astronomy. The major focus here is on supporting Australia's Square Kilometer Array radio telescope bid, taking over operation of the Qradio telescope bid, taking over operation of the Anglo-Australian Observatory, and establishing a unified government Space Policy Unit.

-- A\$387 million for a new Super Science Initiative on marine and climate sciences.

--A\$504 million for a new Super Science Initiative on Future Industries. Key focus areas are molecular biology, new nuclear science facilities for the Australia Nuclear Science

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and Technology Organization, and nanotechnology research.

13. (SBU) Econoff met with Tim Murphy, senior adviser for innovation to Minister Carr, on May 15. Murphy said that there had been a great deal of debate on how to respond to the Cutler report, and when. In the end, it was decided that the linkage with the budget was more important than attracting attention for the innovation agenda itself. The focus on space, clean energy, marine sciences and climate all responded to specific areas where Australia had a competitive science base and a strong political incentive to invest. Murphy said that the government had committed to ramping up funding for university research, and Carr and Education Minister (and Deputy PM) Julia Gillard had worked jointly to build this effort into the budget. The establishment of a space policy unit within the Department of Innovation, Industry, Science and Research as intended to improve coordination on civil space research and business, Murphy said, and bring the civil side more in line with the vastly more-coordinated Australian approach to military space issues. The conversion of the tax concession (rebate) into a tax credit was among the most important elements in encouraging enhanced commercial R&D in Australia, Murphy said, pointing to several decisions by major companies to reduce or shut down their R&D efforts in Australia.

14. (SBU) Comment: The boost in R&D funding will certainly help stabilize the unsteady state of Australia's international innovation efforts. The tax changes reaffirm Rudd's commitment to the pro-growth wing of the Labor party. Whether this amount of support can be maintained over future budgets, or can reverse the long-term structural problems in Australia's global competitiveness, is less clear. End Comment.

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